

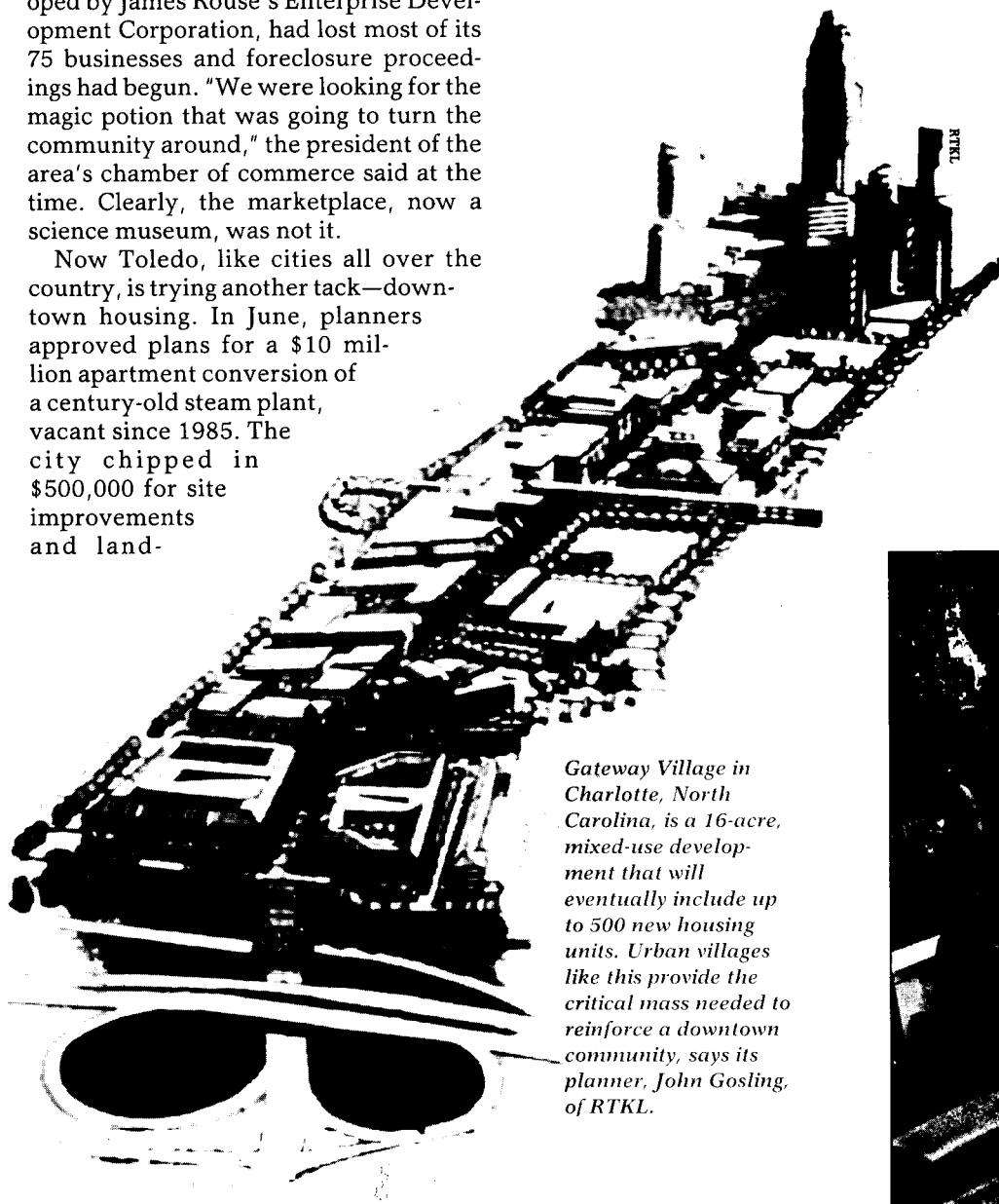
Downtown Where the Living Is Easy

From New York to Aiken, South Carolina, downtown housing is hot. But will it do all it's supposed to?

By Ruth Eckdish Knack, AICP

In the early 1980s, Toledo, its economy lagging, pinned its hopes for renewal on an \$18 million festival marketplace on the bank of the Maumee River. But by 1990, Portside, developed by James Rouse's Enterprise Development Corporation, had lost most of its 75 businesses and foreclosure proceedings had begun. "We were looking for the magic potion that was going to turn the community around," the president of the area's chamber of commerce said at the time. Clearly, the marketplace, now a science museum, was not it.

Now Toledo, like cities all over the country, is trying another tack—downtown housing. In June, planners approved plans for a \$10 million apartment conversion of a century-old steam plant, vacant since 1985. The city chipped in \$500,000 for site improvements and land-



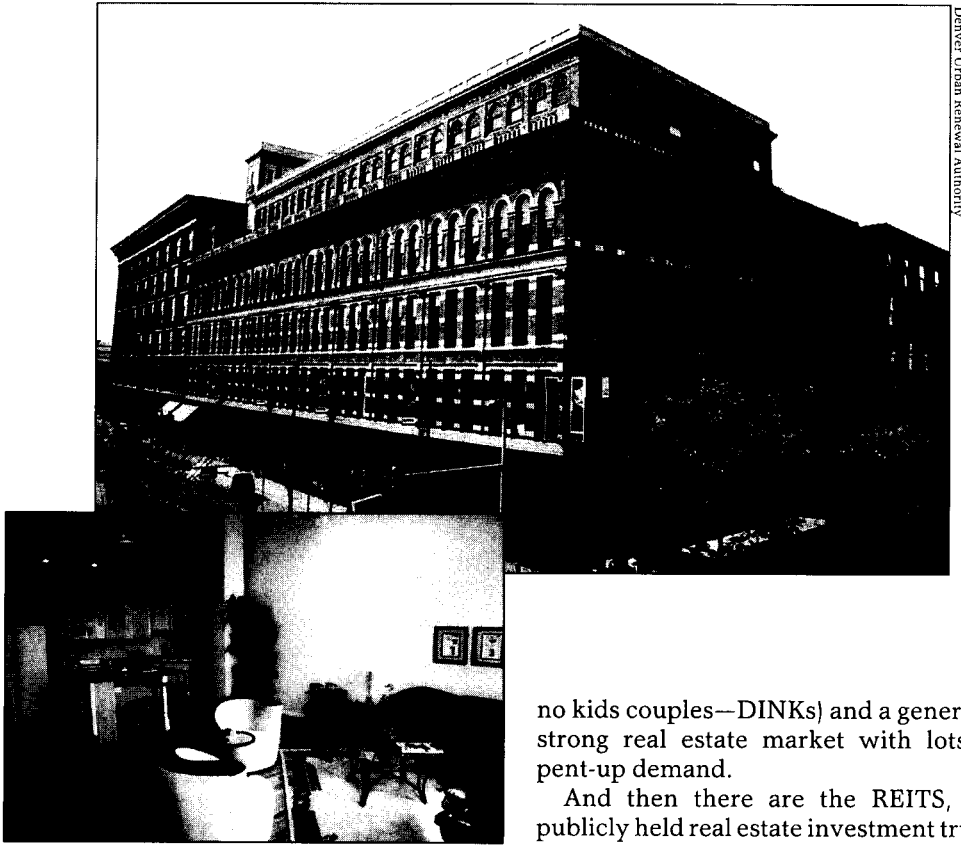
Gateway Village in Charlotte, North Carolina, is a 16-acre, mixed-use development that will eventually include up to 500 new housing units. Urban villages like this provide the critical mass needed to reinforce a downtown community, says its planner, John Gosling, of RTKL.

Philadelphia's Rittenhouse Square (below) is the centerpiece of a still-fashionable downtown neighborhood. The Denver Urban Renewal Authority sparked loft development in upper downtown with its conversion of the Denver Dry Goods Building (right).

scaping. "This is another piece of the puzzle to bring people downtown," said Mayor Carleton Finkbeiner, who has been pushing for conversions of downtown buildings since he took office four years ago.

As it did with Portside—which was modeled after festival marketplaces in Boston and Baltimore—Toledo is following the lead of larger cities where residential conversions of everything from warehouses to hotels have come to be almost expected. In Chicago, there have been rumors that the first seven floors of the building that houses APA would be turned into a boutique hotel.





Denver Urban Renewal Authority

no kids couples—DINKs) and a generally strong real estate market with lots of pent-up demand.

And then there are the REITS, the publicly held real estate investment trusts that in the past focused on suburban garden apartments but recently have shown interest in downtown housing. "The REITs have dramatically boosted investment," says Schwanke, "and that trend can be expected to continue."

Live where you work

Losing industrial space to loft conversions was a difficult thing to accept for many city lovers. It may be even harder to accept the erosion of downtown as an office center. Yet, while the numbers are still small, there's no doubt that a trend is in the making.

New York was first. According to a recent report by Hamilton, Rabinovitz & Alschuler, 2,400 housing units have been developed in former office buildings in Lower Manhattan alone. In Chicago, at least a dozen conversions have been proposed for Loop-area office buildings. Just south of APA, the top six floors of the 20-story McCormick Building are being converted to luxury condos. Nearby, a whopping 119-story building has been proposed that would combine condos with offices.

In May, Cleveland released a new downtown plan, Civic Vision 2000, prepared by a high-profile civic committee. It calls for doubling the number of downtown residences within the next decade, for a total of 6,500 new units. One target for conversion: the vacant office space lining

Euclid Avenue, the heart of the city's traditional commercial core.

For Philadelphia, office conversions have become an article of faith. Center City, which includes such established residential enclaves as Rittenhouse Square and Society Hill, already has a good residential base, with about 75,000 residents and a median family income of \$60,000.

As consultant Janice Woodcock, AICP, pointed out at last spring's national APA conference, Center City also has some 4.5 million square feet of vacant office space, 80 percent of it in hard-to-rent Class C buildings.

Those buildings are the focus of a series of recommendations released in June by the Central Philadelphia Development Corporation. That group has already helped win a 10-year property tax abatement for residential conversions. Now it wants to see the abatement extended to 15 years, a similar break for new construction, and new state tax credits to offset the costs of complying with the ADA and environmental laws. It's also asking the city to hire a downtown housing coordinator, as a number of cities have already done.

Retail connection

The theory in all these cities is that new downtown residents will automatically lead to more shops and restaurants. More housing means more customers, Wim Wievel, dean of the College of Urban Planning and Public Affairs at the University of Illinois at Chicago, was quoted as saying in a recent article. "That will, in turn, draw more people."

But will it? Is the market not more fickle than that? Michael Tesler, a retail consultant in Waltham, Massachusetts, suggests that it is. "Just because they live here they all of a sudden aren't going to do all their shopping right here," he says.

Larry Lund, a Chicago consultant who has helped cities seeking to lure more retail development, has similar doubts. "We always pick out one thing to save downtown—a shopping mall, a stadium, or something else. Now it's housing. But we have to ask where the new residents are coming from. Are they just moving from another close-in neighborhood?"

"Developers build because they have financing, not necessarily because there's a proven demand," he says. Retail, he adds, is not necessarily sure to follow.

"I use my geographic information system to map out how retail chains decide where to locate. The big supermarkets make that decision based on a certain drive time. In the Chicago area, for instance, Dominick's won't open a new

Even in places like Dallas, where there is little experience with downtown housing, projects are mounting. The latest: conversion of part of an 88-year-old Sears warehouse to luxury lofts. In Waltham, Massachusetts, a suburb of Boston, up to 500 apartments are being carved out of a local landmark, Cronin's Department Store.

In Denver, loft conversions that started in Lower Downtown have spread to the upper downtown area known as the central business district, where the reuse of the old Denver Dry Goods building is in its second phase. More recently, the phenomenon has taken hold in the near-downtown Golden Triangle, where developers are building brand-new loft buildings, designed to look like the old.

Exact numbers of the growth in downtown residents are hard to come by. However, the *State of the Cities* report issued in June by the U.S. Department of Housing and Urban Development estimates that the number of employed central city residents nationwide has increased by 3.7 million in the last five years.

What's causing the shift? Dean Schwanke, who prepares the Urban Land Institute's annual real estate forecast, cites both demographics (more well-off singles, more empty nesters, more double-income,

store if there's another seven minutes away." Lund also suggests that, if the sales forecasts don't look good, a residents-first development strategy does little to attract retail chains.

Delray Beach, Florida, took the opposite approach, starting with retail and working its way up to downtown housing. "We've spent the last six years lining up small retailers to fill the storefronts along Atlantic Avenue," says Christopher Brown, who has been the executive director of the Community Redevelopment Agency during that time.

"In suburbia," he says, "you do it the other way around. First you build subdivisions; then shopping comes. But I didn't think we could get housing down here without retail. We focused on the ground floor, because that's what pedestrians see first. We made sure we had a street life."

To solve parking problems, the agency fixed up two municipal lots and created two more lots behind the buildings. It worked on special events and marketing programs. "We created a consumer base for night-time activities. Now people want to live downtown because it's fun," Brown says.

Now comes housing. The agency is seeking both to interest developers in converting the second-floor space along the avenue and in developing new complexes downtown. Several second-floor projects are now under way.

Brown says he's having more trouble luring national builders willing to build on a more urban scale. "They tend to think in terms of low, suburban-style garden apartments," he says, "when we are thinking of a mid-rise." The agency is now marketing a one-acre site along Atlantic Avenue, and Brown says he hopes the proposals will be more urbane.

New zoning policies should help, says Ronald Hoggard, AICP, the city's redevelopment planner. In line with a statement in the new comprehensive plan, which lists downtown housing as a key objective, the city amended its land-development code to allow certain downtown developments to exceed the 30 units an acre that's now on the books.

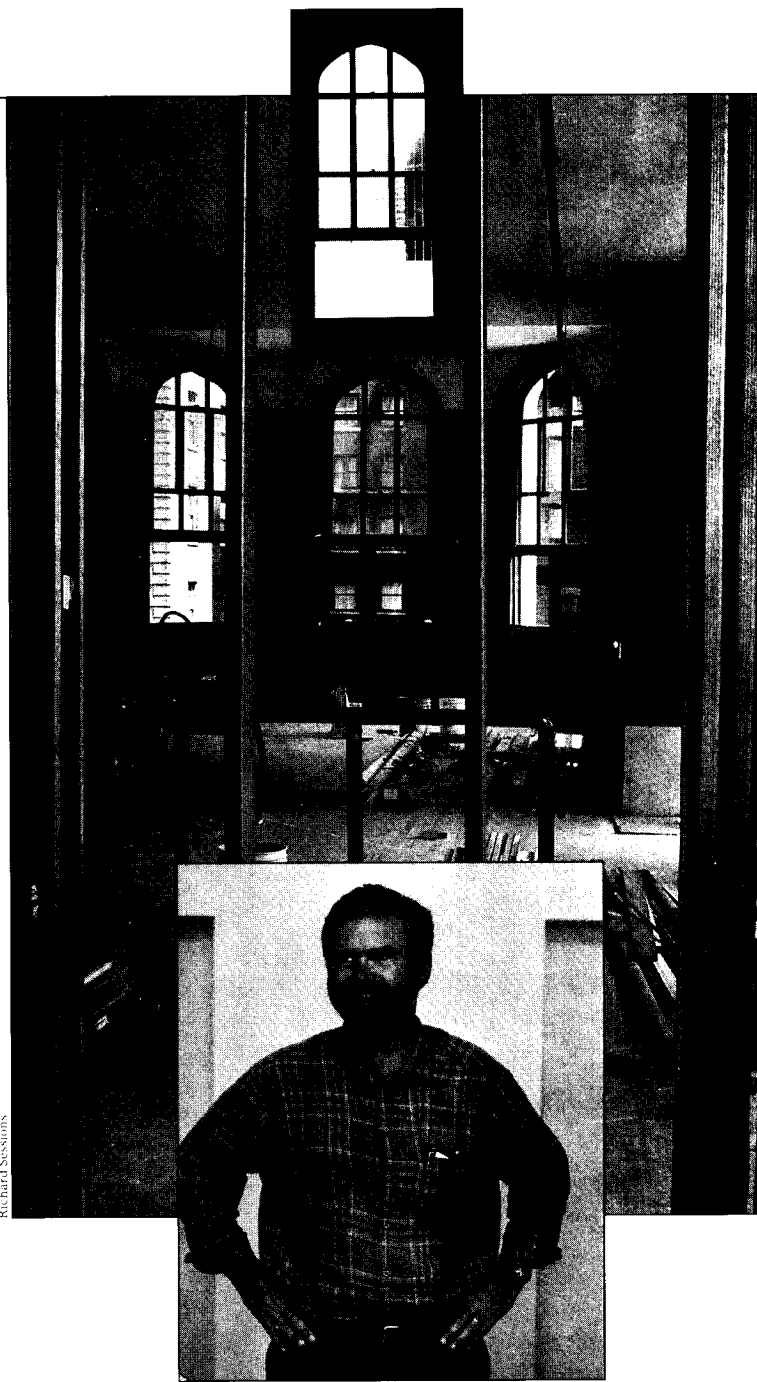
Small fry

APA researcher Martin Roupe says the Planning Advisory Service fields many calls from planners in small cities who want to know what they can do to encourage downtown housing. Typical questions: How do we lure developers? (Try property tax abatements first, then tax increment financing.) What about zoning? (Mixed use, planned unit development.)

One place that seems to have the answers to these and other questions is Aiken, South Carolina, a historic town of 30,000 a few miles north of the U.S. Department of Energy's Savannah River nuclear plant. When the plant downsized several years ago, Aiken suffered along with the region.

Aiken responded in 1992 with a strategic planning process that led to a plan for downtown renewal. The city recently announced that it would give either property tax deferments or cash payments to property owners and developers who build new downtown buildings or rehab old ones.

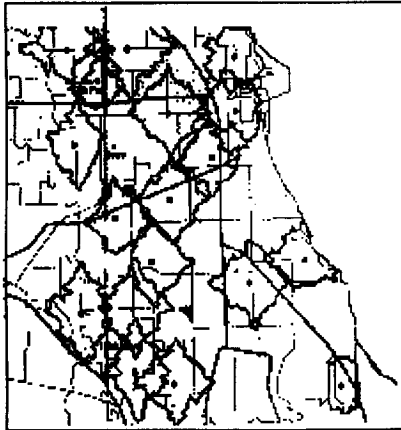
Richard Sessions



Chicago architect Charles Hasbrouck has carved nine live work spaces, one per floor, out of the venerable Singer Building. Major expenses included renovating the white terra cotta exterior and repairing the old metal windows.

Then the nonprofit Aiken Corporation, formed to stimulate economic development, announced its own incentive program. It will make no-interest loans of up to \$5,000 a unit to downtown property owners who convert vacant space to housing. Several second-floor apartments have already resulted

Consultant Larry Lind uses a GIS program to map retail chains' locations patterns. This example shows what happens when a supermarket chain decides its stores must be separated by seven-minute drive times.



according to assistant city manager Bill Huggins, AICP.

Huggins says the city's zoning ordinance is now being overhauled to bring it in line with the recently adopted comprehensive plan and to make it easier to develop downtown housing.

It takes a village

Not everyone thinks the scattershot approach of converting the odd office building or warehouse, or building a single structure, is the best way to approach downtown housing. What works in New York or Chicago might not work in a less dense city, says John Gosling, AICP, the director of the urban planning group at RTKL in Washington.

"Individual projects are hard, particularly because it's difficult to offer secure parking, and you need that to draw the suburban market," he says. "And you can never get enough units in one place to reclaim the street space."

RTKL's approach is different. "What we have been doing," says Gosling, "is to create an entire urban village within the frame area of the downtown. That way we control the street space from day one, and we are able to complete the community."

RTKL is now working on a plan for a 16-acre Gateway Village in Charlotte, North Carolina, a project spearheaded by NationsBank, which over the last decade has invested some \$1 billion in downtown Charlotte, Gosling says. The new project is expected to further revitalize

the area by providing a range of market-rate housing five blocks from the bank's headquarters.

In Charlotte and other cities with similar projects, notably Dallas, where the mixed-use State-Thomas development is half completed, the housing has been built by national builders such as Post-West. "They've identified a new market—time-short professionals and empty nesters," and they're going after it, Gosling says.

That market is growing, he adds, in part because of the investments cities have made in their downtowns over the past decade. "Those huge public subsidies for sports stadiums and entertainment venues are finally paying off," he says. "They brought in the suburbanites and helped them get reacquainted with the urban fabric."

The challenge now, says Gosling, is to create a true mixed community, "not a monocultural yuppiedom." One way to do that is to "bring in retail from day one but to set guidelines to prevent it from being all trendy retail." There's also a design challenge—"how to not make everything look built in one day."

That great street

The 72-year-old Singer Building, a sliver of white terra cotta that has been largely empty for two decades, is the first residential conversion on State Street, Chicago's traditional shopping street. The building, now called Singer on State, is being transformed into nine live-work spaces by a development group headed by architect Charles Hasbrouck at a cost of over \$3 million.

"I don't know if this type of thing is good for every downtown," says Hasbrouck. "In a place with serious problems, it may not be. But this downtown is healthy, and the city has made some wonderful improvements on State Street." Hasbrouck is referring to the recent "demalling" of State Street, which removed a 20-year-old transit mall and returned traffic to the street.

The best thing the city can do to encourage more projects like his, he says, is to do what it does well. "Maintain the infrastructure and promote a climate that makes the business district vibrant. That's more important than giving subsidies and handouts to developers."

Singer on State benefited from Chicago's Class L property tax freeze program for landmarks. The developers also took advantage of the federal tax law that allows a credit of up to 20 percent for structures built before 1936.



How Singer Building is being converted into a live-work space by architect Charles Hasbrouck.

Hasbrouck did not, however, receive any tax increment financing, although his building is part of the Central Loop TIF District, which freezes property taxes for 23 years, providing owners with a fund for improvements. The Central Loop district has already generated almost \$36 million, some of which is being used to rehab several theaters and to create new hotels in landmark buildings, including the Reliance Building, down the street from the Singer.

By mid-June, Hasbrouck had sold seven of his nine condos. But that doesn't mean there haven't been problems along the way. There are a lot of misconceptions to overcome, he says. "For instance, people have the idea that you can't get your basic needs met in the Loop." That's not true, Hasbrouck says, pointing out the window to the farmers' market in the civic center plaza across the street. Shopping may also become easier if the rumors of a new Sears store farther south on State Street turn out to be true.

Parking is a problem that won't be so easy to solve. Singer on State has five permit parking slots on tiny Marble Place alongside the building. Others aren't so lucky.

Thomas Smith, a former APA research director who is now director of development policy for the Chicago Department of Planning and Development, notes that the regulations for the Central Area Parking District substantially reduce the city's typical parking requirements. The regulations were adopted in 1972, at a time when the U.S. Environmental Protection Agency was urging cities to reduce downtown parking as a way of encouraging commuters to use public transportation. No surface parking lots have been built in the Loop since then.

But as residential conversions continue in the Loop, Smith anticipates greater demand for parking. "We could see cases where a developer of a land-

mark building buys another building next door and tears it down to put up a parking garage," he says. "We might even see someone take out a lobby to put in parking."

Resources

Reading. *At Home in the Loop: How Clout and Community Built Chicago's Dearborn Park.* Lois Wille. Southern Illinois University Press, 1997. A blow-by-blow account of the creation of a new downtown neighborhood. *Turning on the Lights Upstairs* is a 40-page guidebook for residential conversions prepared by consultant Janice Woodcock for Philadelphia's Center City District. It's available for \$12 from the Center City District, 917 Filbert St., Philadelphia, PA 19107.

APA. *Converting Storefronts to Housing* (PAS Report No. 473) offers useful advice for cities with an abundance of empty retail spaces. The January 1997 *PAS Memo*, by Martin Roupe, offers examples of zoning techniques to encourage downtown housing.

Web sites. Aiken, South Carolina, is at www.aiken.net. For Cleveland's new Civic Vision Plan, see www.cleveland.com/community/civic.

Numbers. The *ULI 1998 Real Estate Forecast* is available from the Urban Land Institute, 1025 Thomas Jefferson St., N.W., Washington, DC 20007. *U.S. Housing Markets*, a monthly newsletter edited by Brian Bragg and published by Hanley-Wood, tracks building permits in metropolitan areas; call 800-755-6269.

A sea change

What's happening on State Street is more than just a change in building use. It's also a change in attitude, a redefinition of downtown. New York developer Tony Goldman, speaking at the last APA conference, saw that transformation as a sign of hope at the start of a new millennium. "We're seeing a new cycle of history," he said, "one that will bring vitality back to the center city."

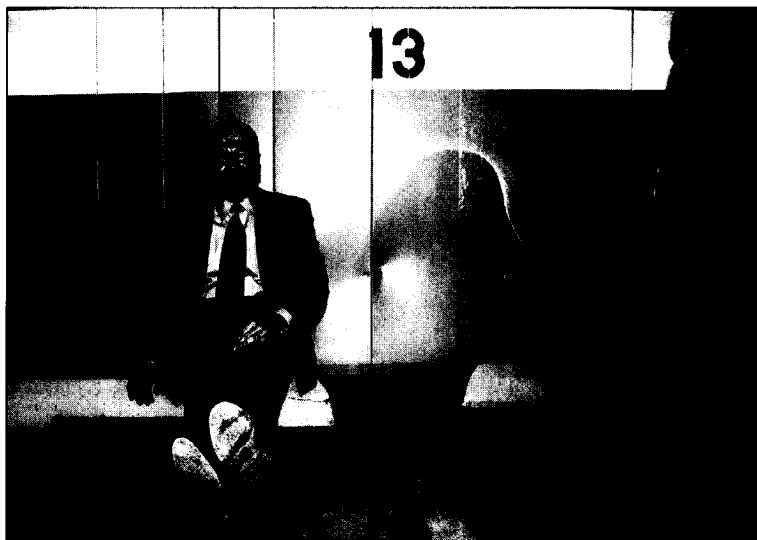
Whether or not you agree with this assessment, longtime city watcher Sigurd Grava, AICP, says there's little you can do about it. Grava, a professor of urban planning at Columbia University and a vice-president of Parsons Brinckerhoff in New York, has been studying downtowns for many years. "I've seen the same changes happening in just about every middle-sized and small city in the U.S.," he says.

"With some exceptions, our city centers no longer dominate urban activities. Some government buildings are likely to survive, along with a few office towers. But serious retail has almost disappeared. Its place has been taken by entertainment—the Disney stores, sports arenas, bistros—and sometimes housing.

"There's no doubt that the traditional American downtown, which was a global icon of capitalism, is changing into sort of a virtual downtown. That's not good or bad," Grava says. "It's inevitable."

Ruth Knack is the executive editor of *Planning*.

How important is parking to downtown housing? Just ask Chicagoan Dennis Kluge, who owns four spaces in a Gold Coast high rise. They've appreciated 1,000 percent in 18 years.



Jeff Davis, Chicago Tribune

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